

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION 2012
FULL-TIME AND I.D.E.

TITLE OF PAPER : STRATEGIC MARKETING MANAGEMENT
COURSE : BA 522
DEGREE AND YEAR : BCOM5 & IDE BCOM6
TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

- 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**
- 2. SECTION (A) IS COMPULSORY**
- 3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B**
- 4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE**

**NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION
IN ENGLISH AND FOR ORDERLY PRESENTATION**

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS
GRANTED PERMISSION**

SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

Ambushing Apple

The guerrilla marketing tactic is the latest flare-up in the intensifying competition between two of the biggest players in the mobile devices industry that has also seen them battle in courts across the world over patents. What makes the battle so captivating is that the two companies are such contrasts. Apple is known for innovation and big ideas that create whole new markets. What Samsung lacks in ideas, it makes up for with a sleek production system that is lightning fast in bringing new products to market. But the war for smartphone dominance is one Samsung appears to be winning for now, just. Apple, the world's largest technology company with a market value of \$391bn, is counter-punching hard as the holiday sales season approaches.

The battle between Samsung and Apple is being waged not just in malls and stalls across the world, but in courtrooms as well. On the same day Samsung was luring away potential Apple customers in Sydney with the Galaxy promotion, an Australian court slapped a temporary ban on the sale of Samsung's computer tablet, named the Galaxy Tab, in the country, saying Samsung infringed on Apple patents. Apple has also scored preliminary injunctions against some Samsung products in Germany and the Netherlands, and seeks to block sales of Samsung models in the United States, the key smartphone battleground. Samsung is trying to counter with lawsuits of its own, unsuccessfully so far, accusing Apple of infringing its technologies.

Fast executioner

Analysts who follow the company say Samsung may not have the next big idea but it does have world-class marketing chops. The world's biggest maker of flat screens and memory chips and the second-biggest mobile phone maker after Nokia can bring a product to market faster than anybody. Samsung can leverage costs by using the chips and screens from its other divisions in its products. It has unrivalled product differentiation, offering different phones for different market segments. But while Samsung has shown it can beat Apple in the market, few are convinced it has the innovative corporate culture to be the next Apple.

Samsung's corporate culture values speed and adaptability, aspiring to be what they call in Korea the "fast executioner". "But to capture the imagination of the public in the way the iPhone or iPad have done, Samsung will need to take risks and produce something unique that has a true "wow" factor and be first to market," said Tim Shepherd, an analyst at Canalys, a technology focused research firm.

One Samsung executive helpfully suggested that Apple might want to copy the Korean company. "What Apple might want to pursue is ironically what Samsung is doing right now: Keep introducing differentiated products to cater to the very low end of the market to the very top," said a senior Samsung official, who declined to be named because he

was not authorised to speak to the media. “We may have looked foolish by not focusing on just one mobile platform and instead spreading our resources for the time- and labour-consuming work of making phones with various platforms, but it showed patience eventually pays off.”

Technology agnostic

Samsung doesn't just rely on Android. It is technology neutral, jointly developing software with Intel, using Microsoft's Windows, free software Linux and its own operating system, Bada, in its phones. Its vertically integrated supply chain of chips and displays also helps it better control production costs. “With eggs in all baskets, Samsung is poised to be the long-term winner regardless of how the dynamics play out between technologies and standards,” analysts at Bernstein said in a report. “Samsung is unique among leading manufacturers of being extremely 'OS-agnostic',” they said referring to operating systems.

Samsung's speedy ascent to the smartphone summit came after the company was sent reeling by the storm Apple created over the launch of the iPhone 4 and the iPad early last year. Profit halved in the second quarter last year because it didn't have products to compete with the iPhone 4 and the iPad. But it caught up fast. Samsung released an upgraded version of its Galaxy S smartphone with improved processing power in April, less than a year after it was first introduced, making it also bigger but lighter. Months later, it unveiled upgraded versions of the Galaxy smartphone, running on the fast 4G network with a high-resolution display.

The company was also first to challenge the iPad with different sizes and is now the No. 2 tablet vendor. Samsung sold nearly 20 million smartphones in the second quarter, about one million fewer than Apple. Its market share gap was less than 1 percentage point. But Samsung is expected to sell 95 million smartphones this year, higher than Apple's 81 million, and raise sales to 136 million versus Apple's 89 million units next year, JPMorgan analysts forecast.

By comparison, Apple's latest iPhone followed 15 months after its previous model and had no facial changes, disappointing investors and fans who had hoped for a fancy and thinner product with a bigger screen and 4G connection. “If users are concerned about being 'future-proof' from a network technology point of view, Samsung clearly has a marketing edge at the moment ... Samsung has a strong ability to release competitive new smartphones on a timely basis,” Fitch analyst Alvin Lim said.

ADAPTED FROM: Reuters, Oct 20 2011. <http://www.fin24.com>

Question 1

- a) Describe the characteristics of the guerrilla marketing attack strategy and then explain how Samsung is using this strategy against Apple. (20 MARKS)
- b) What attack strategies can Apple as a pioneer use to counter Samsung's increasing threat in the smartphone industry. (20 MARKS)

SECTION B (ANSWER ANY THREE QUESTIONS)**QUESTION 2**

A company is one of the lowest-cost producers in the office copier industry, even though its market share and production volume is smaller than the industry leader. How is it possible for a relatively small volume producer to achieve a low-delivered-cost position?
(20 MARKS)

QUESTION 3

The Natsa Bottling Company, located in the city of Mbabane, produced and marketed a line of carbonated beverages consisting mainly of flavored soft drinks, bottled water, soda water, and tonics. They were sold in different types of packages and sizes to a wide variety of retail accounts. How might such a company expand its revenues by pursuing each of the different expansion strategies?
(20 MARKS)

QUESTION 4

Discuss the competitive strategies identified by Miles and Snow using the Product Life Cycle.
(20 MARKS)

QUESTION 5

- a) While we have seen that a business may have a number of other strategic options, the conventional wisdom suggests that a declining business should either be divested or harvested for maximum cash flow. Under what kinds of market and competitive conditions do each of these two conventional strategies make good sense?
(10 MARKS)
- b) What kinds of marketing actions are typically involved in successfully implementing a harvesting strategy?
(10 MARKS)